



UAHC Health Plan of Tennessee, Inc.

1769 Paragon Drive, Suite 100
Memphis, TN 38132
• 901-346-0064 •

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C&I TENNCARE

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June 14, 2007

Mr. Ronald Crozier
TennCare Examiner
Department of Commerce
And Insurance
500 James Robertson Parkway
Suite 750
Nashville, TN 37243

RE: Review of the NAIC 2006 Annual Statement Submitted by United Health Plan of Tennessee,
Inc (UAHCTN)
Matter Number 06-118

Dear Mr. Crozier:

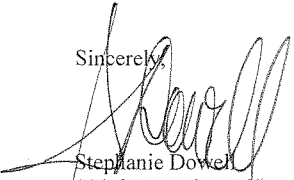
In response to your letter dated May 15, 2007 we have amended the NAIC 2006 annual statement
to amend the following deficiencies:

- Schedule E - Part 1- Cash
- Underwriting and Investment Exhibit Part 3 – Analysis of Expenses
- Management Discussion and Analysis

The NAIC 2006 filing is being resubmitted with revisions to Schedule E Part 1 – Cash and the
Underwriting and Investment Exhibit Part 3 - Analysis of Expenses. The Management
Discussion and Analysis has also been corrected per comments in the May 15th letter.

If there are additional questions, please contact me at 901-348-3303.

Sincerely,


Stephanie Dowell
Chief Executive Officer

Cc: Lisa Jordan, Assistant Commissioner
John R. Mattingly, Examinations Director
Gregory Hawkings, Examinations Manager
Rachel Dacunha, Centers for Medicare and Medicaid Services
Cheryl Brimage, Centers for Medicare and Medicaid Services
Darin Gordon, TennCare Bureau

Managed by United American of Tennessee, Inc.



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**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

TENNCARE

UAHC Health Plan, Inc (the "Company") is a health maintenance organization (HMO) which commenced operations on January 1, 1994. The Company is a subsidiary of United American of Tennessee, Inc. (the Parent), which owns 100% of the Company's common stock and preferred stock. United American of Tennessee, Inc is a wholly owned subsidiary of United American Healthcare Corporation.

The Company provides a range of health care services including basic physician and hospital services, outpatient services, emergency room treatment, pharmacy services, optical services, mental health and substance abuse treatments, as well as preventive health and well-baby care. The Company has contracted with 25 hospitals, 2,426 physicians and 340 pharmacies for the delivery of medical services. The Company is domiciled in Memphis, Tennessee and their service area currently includes the Shelby County, Northwest and Southwest Tennessee regions.

The Company has a contract with the State of Tennessee's TennCare program (TennCare) to provide health care services to enrollees. The Company provided health care services to approximately 111,485 and 129,146 enrollees at December 31, 2006 and 2005 respectively. All of the Company's capitation and administrative fee revenues are currently derived from its operations in the TennCare program. The Company's contract with TennCare was amended effective July 1, 2002 to provide for a Stabilization Plan which continued through June 30, 2005. During this period, TennCare assumed all risk for medical expenses and paid the Company a fixed administrative fee for each enrollee covered under the plan. Through the amendment, effective July 1, 2005, TennCare implemented a modified risk arrangement with all its contracted MCOs, including UAHC-TN, which are at risk for losing up to 10% of administrative fee revenue and may receive up to 15% incentive bonus revenue based on performance relative to benchmarks. The TennCare contract was subsequently amended and expires on June 30, 2007.

FINANCIAL CONDITION

Assets:

The Company's total admitted assets were and \$13.8 million and \$12.3 million at December 31, 2006 and 2005 respectively. The \$1.5 million increase is primarily due to a \$0.5 million increase in Cash, a \$0.4 million increase in Other Invested Assets, and a \$0.3 million increase in Investment Income Due and Accrued. There no unused sources of liquid assets of a material nature. There are no material changes affecting other asset categories (i. e., health care receivables, reinsurance recoverable, amounts due from affiliated companies).

UAHC HEALTH PLAN OF TENNESSEE, INC
ATTACHMENT TO THE ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

Liabilities:

The Company's total liabilities were \$2.1 million and \$1.5 million at December 31, 2006 and 2005 respectively. The increase in total liabilities was primarily due to a \$0.3 million liability recorded related to a multi-year claims audit conducted by TDCI.

Capital Surplus:

Capital and surplus for the Company was \$11.7 million at December 31, 2006 and \$10.8 million at December 31, 2005. Under Tennessee State Insurance Law, the Company is required to maintain net worth equal to 4% of its first \$150 million or premium revenue and 1.5% of premium thereafter for the 12-month period of the proceeding calendar year. The Company maintained its minimum net worth requirement for 2006. As of December 31, 2006, the Company's minimum net worth requirement was \$7.2 million.

The Company believes its capital and surplus position to be adequate to support its business needs and reasonably provide for adverse experience in medical claims incurred prior to July 1, 2002. The Company is also unaware of any trends which can favorably or unfavorably affect the entity's capital and surplus. There has been no material change in the Company's claim reserves between the current and prior reporting year.

RESULTS OF OPERATIONS

Net Income/(Loss):

Net income for the year ended December 31, 2006 was \$1.3 million compared to a net income of \$1.7 million for 2005. Although net income has seen a steady decline within the last five years it is expected to increase with the addition of the Medicare product. For specific changes in individual line items within the income statement, see further discussion below.

Revenues:

The absence of Premium Revenue for 2006 is attributable to the amended contract with TennCare that provided for a Stabilization Plan effective July 1, 2002 through December 31, 2006. During the stabilization period, TennCare assumes all risk for medical expenses incurred after June 30, 2002. The Company is paid a monthly fixed administrative fee for each enrollee covered under the plan.

Benefits and Expenses:

Medical and hospital expenses were immaterial in 2006. This is a result of the Stabilization Plan which became effective July 1, 2002. Under this Plan TennCare

UAHC HEALTH PLAN OF TENNESSEE, INC
ATTACHMENT TO THE ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

assumed risk for medical expenses incurred after June 30, 2002 so no medical expense has been recorded for claims incurred after June 30, 2002.

CASH FLOWS

The Company's cash flow from operations was \$1.0 million and \$1.5 million in 2006 and 2005, respectively. The decrease in cash flow from operations was primarily due to a decline in enrollees and a decrease in capitated fixed administrative revenue.

The Company's cash flow from investing activities was \$(0.3) million in 2006 and \$(4.9) million in 2005. The Company's cash flow from financing and miscellaneous sources was \$(0.2) million for 2006 and \$(0.3) million for 2005. The company is unaware of any demands or events that are reasonably likely to result in material increases or decreases in the health entity's cash flow.

YEAR 2007

The Company will continue operating under TennCare's Modified Risk Arrangement through June 30, 2007. The Company believes it has earned additional revenue of approximately \$0.2 million for each quarter of 2006; however, the Company would record such earnings in 2007 only upon receipt of final notification thereof from TennCare.

The Company and the Department of Finance and Administration of the State of Tennessee, Bureau of TennCare are parties to an escrow agreement under which the Company has funded on August 5, 2005 held by TennCare at the State Treasury in the amount of \$2,300,000, for security in repayment to TennCare of any overpayments to the Company that may be determined by a pending audit of all processed claims since 2002. The escrow account will terminate August 5, 2007. The \$2,300,000 escrow account is not admitted for statutory reporting purposes and has been excluded from the Statement of Admitted Assets, Liabilities, Capital and Surplus as of December 31, 2006

Membership for the month of January 2007 is 108,168 and the Company is unaware at this time of any factor that might have a significant impact on this membership.

On October 10, 2006, UAHC-TN entered into a contract with the Centers for Medicare & Medicaid Services (CMS) to act as a Medicare Advantage qualified organization. The contract authorizes UAHC-TN to serve members enrolled in both the Tennessee Medicaid and Medicare programs, commonly referred to as "dual-eligibles," specifically to offer a Special Needs Plan ("SNP") to its eligible members in Shelby County, Tennessee (including the City of Memphis), and to operate a Voluntary Medicare Prescription Drug Plan, both beginning January 1, 2007. The initial contract term is through December 31, 2007, after which the contract may be renewed for successive one-year periods in accordance with its terms. As of January 1, 2007, there were approximately 110 SNP enrollees in UAHC-TN.

UAHC HEALTH PLAN OF TENNESSEE, INC
ATTACHMENT TO THE ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

The State of Tennessee continues to review the TennCare Program in an attempt to reduce the cost of operations. The final outcome of this review could potentially have an impact on the Company but at this time the Company has no specific information on the State's review process.

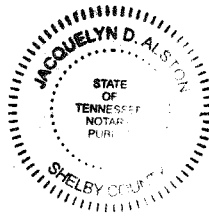
Stephanie Dowell 6/14/2007
(Signature) (Date)

Stephanie Dowell, Chief Executive Officer
(Printed Name and Position)

Subscribed and sworn to before me this
14th day of June 2007

Jacquelyn D. Alston
NOTARY PUBLIC (Seal)

My Commission Expires
May 31, 2010



AMENDED FILING COVER SHEET RECEIVED

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Amended File Title	C&I TENNCARE Amended Explanation
Jurat Underwriting and Exhibit Part 3 Statement of Revenue and Expenses Schedule E Part 1 Cash Exhibit of Net Investment Income and Capital Gains and L	

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ANNUAL STATEMENT

OF THE

UAHC HEALTH PLAN of TENNESSEE

of MEMPHIS

in the state of TENNESSEE

TO THE

Insurance Department

OF THE

STATE OF TENNESSEE

FOR THE YEAR ENDED
December 31, 2006

HEALTH

2006



00000200620100100

ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2006

OF THE CONDITION AND AFFAIRS OF THE
UAHC Health Plan of TennesseeNAIC Group Code 0000 0000 NAIC Company Code 00000 Employer's ID Number 62-1547197
(Current Period) (Prior Period)

Organized under the Laws of _____, State of Domicile or Port of Entry TN

Country of Domicile _____

Licensed as business type: Life, Accident & Health ☒ Property/Casualty ☐ Hospital, Medical & Dental Service or Indemnity ☐
Dental Service Corporation ☐ Vision Service Corporation ☐ Health Maintenance Organization ☐
Other ☐ Is HMO Federally Qualified? YES ☐ NO ☐

Incorporated/Organized: October 6, 1993 Commenced Business: January 3, 1994

Statutory Home Office: 1769 Paragon Suite 100 Memphis, TN 38132

Main Administrative Office: 1769 Paragon Suite 100 Memphis, TN 38132 901-348-2201

Mail Address: 1769 Paragon Suite 100 Memphis, TN 38132

Primary Location of Books and Records: 1769 Paragon Suite 100 Memphis, TN 38132 901-348-2201

Internet Website Address: N/A

Statutory Statement Contact: Stephen Harris 000-000-0000
sharris@uahc.com 901-348-2212

Policyowner Relations Contact: 1769 Paragon Suite 100 Memphis, TN 38132 000-000-0000

OFFICERS

Name	Title
1. Stephanie Dowell	Chief Executive Officer
2. Stephen Harris	Chief Financial Officer
3.	

Vice-Presidents

Name	Title	Name	Title
Myla Johnson	Vice-President Medical Services	Edward Reed, M.D.	Senior Vice-President & Medical Director
Stacy Hill	Vice-President MIS		

DIRECTORS OR TRUSTEES

Stephanie Dowell	Stephen Harris	Tom Goss	Samuel King
Grover Barnes M.D.	Julius V. Combs, M.D.	Griselle Fiqueredo, M.D.	Lloyd Robinson
Logan Miller M.D.	Neal Beckford M.D.	Stan Sawyer	William Brooks
Alvin King	Ricky Wilkins		

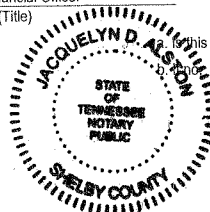
State of Tennessee
County of Shelby ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Stephanie Dowell	Stephen Harris	
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
Chief Executive Officer	Chief Financial Officer	
(Title)	(Title)	(Title)

Subscribed and sworn to before me this

ja 14th day of MARCH June, 2007

My Commission Expires
May 31, 2010

Is this an original filing?

YES ☐ NO ☒

1. State the amendment number 1

2. Date filed 03/01/2007

3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	7,445,153		7,445,153	7,140,257
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 1,822,987, Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 0, Schedule DA)	1,822,987		1,822,987	1,382,091
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	3,025,336		3,025,336	2,605,000
8. Receivables for securities				
9. Aggregate write-ins for invested assets	2,300,000	2,300,000		
10. Subtotals, cash and invested assets (Lines 1 to 9)	14,593,476	2,300,000	12,293,476	11,127,348
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	358,420		358,420	56,429
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,156,198		1,156,198	1,097,743
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$ 360,956) and other amounts receivable	681,205	681,205		
23. Aggregate write-ins for other than invested assets	81,520	81,520		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	16,870,819	3,062,725	13,808,094	12,281,520
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	16,870,819	3,062,725	13,808,094	12,281,520

DETAILS OF WRITE-INS				
0901. Escrow per state of TN	2,300,000	2,300,000		
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	2,300,000	2,300,000		
2301. Prepaid Expenses	81,520	81,520		
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	81,520	81,520		

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)				
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	204,304		204,304	127,308
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))	369,651		369,651	226,400
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	58,476		58,476	58,476
16. Payable for securities				
17. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans				
21. Aggregate write-ins for other liabilities (including \$ 0 current)	1,476,447		1,476,447	1,097,743
22. Total liabilities (Lines 1 to 21)	2,108,878		2,108,878	1,509,927
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	200,000	200,000
25. Preferred capital stock	X X X	X X X	12,550,000	12,550,000
26. Gross paid in and contributed surplus	X X X	X X X		
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	(1,050,784)	(1,978,407)
30. Less treasury stock, at cost:				
30.1 0 shares common (value included in Line 24 \$ 0)	X X X	X X X		
30.2 0 shares preferred (value included in Line 25 \$ 0)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	11,699,216	10,771,593
32. Total liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	13,808,094	12,281,520

DETAILS OF WRITE-INS				
2101. PREMIUM TAX PAYABLE	1,156,198		1,156,198	1,097,743
2102. CLAIMS AUDIT	320,249		320,249	
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	1,476,447		1,476,447	1,097,743
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	X X X	X X X		
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

Report #2A TENNCARE OPERATIONS STATEMENT OF REVENUE AND EXPENSES

Statement as of December 31, 2006 of UAHC Health Plan of TN, Inc.

MEMBER MONTHS	Current Period	Current Year to Date	Prior Calendar Year
	341,375	1,418,559	1,545,287
REVENUES:	-		
1. TennCare Capitation	55,153,638	211,283,040	230,622,544
2. Investment	156,161	638,027	172,925
3. Other Revenue (Provide detail)	33,068,625	49,095,008	55,359,263
4. TOTAL REVENUES (Lines 1 to 3)	88,378,424	261,016,075	286,154,733
EXPENSES:			
Medical and Hospital Services			
5. Capitated Physician Services	1,517,416	6,161,715	7,121,316
6. Fee-for-Service Physician Services	5,227,335	20,367,814	22,856,280
7. Inpatient Hospital Services	14,168,319	53,067,885	60,941,474
8. Outpatient Services	18,220,444	69,911,107	75,810,826
9. Emergency Room Services	5,400,715	20,482,689	19,445,048
10. Mental Health Services	-	-	-
11. Dental Services	-	193	1,724
12. Vision Services	436,618	1,717,426	1,965,999
13. Pharmacy Services	-	-	17
14. Home Health Services	365,628	1,714,794	1,594,500
15. Chiropractic Services	-	-	-
16. Radiology Services	1,258,011	4,611,431	4,845,301
17. Laboratory Services	176,023	603,646	1,687,132
18. Durable Medical Equipment Services	522,169	2,153,898	2,760,936
19. Transportation Services	1,771,770	7,177,599	7,049,831
20. Outside Referrals	-	-	-
21. Medical Incentive Pool and Withhold Adjustments	-	-	-
22. Occupancy, Depreciation, and Amortization	-	-	-
23. Other Medical and Hospital Services (Provide detail)	34,359,602	52,229,219	56,255,803
24. Subtotal (Lines 5 to 23)	83,424,051	240,199,416	262,336,188
25. Reinsurance Expenses Net of Recoveries	-	-	237,932
LESS:			
26. Copayments	-	-	-
27. Subrogation	(19,641)	(29,037)	(343,058)
28. Coordination of Benefits	(145,336)	(819,643)	(1,097,533)
29. Subtotal (Lines 26 to 28)	(164,977)	(848,680)	(1,440,591)
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	83,259,074	239,350,736	261,133,529
Administration:			
31. Compensation	1,235,432	5,098,065	5,295,458
32. Marketing	43,951	208,735	190,044
33. Interest Expense	-	-	-
34. Premium Tax Expense	1,077,210	4,582,658	5,103,560
35. Occupancy, Depreciation and Amortization	130,588	564,523	493,773
36. Other Administration (Provide detail)	2,306,344	9,920,462	12,251,482
37. TOTAL ADMINISTRATION (Lines 31 thru 36)	4,793,525	20,374,443	23,334,317
38. TOTAL EXPENSES (Lines 30 and 37)	88,052,598	259,725,179	284,467,846
39. NET INCOME (LOSS) (Line 4 less 38)	325,825	1,290,897	1,683,187

Statement as of December 31, 2008 of UAHC Health Plan of TN Inc.

<u>Line 3 - Other Revenue</u>	Current Period	Current Year to Date	Prior Year
Pharmacy Rebates	\$0	\$0	\$2,612
Administrative Fee Revenue from State	3,945,415	16,105,394	19,376,570
Revenue from State for Premium Tax	1,077,210	4,582,658	5,103,559
Miscellaneous Revenue	-	-	83,522
Shared Risk Revenue	-	360,956	-
IBNR	28,046,000	28,046,000	30,793,000
Total	<u>\$33,068,625</u>	<u>\$49,095,008</u>	<u>55,359,263.00</u>

Line 23 - Other Medical and Hospital Services

Other Referral/Specialist Services	\$6,313,842	\$24,258,134	\$25,462,803
Other	(\$240)	(\$74,916)	
Physical Therapy	-	-	
IBNR	28,046,000	28,046,000	30,793,000
Total	<u>\$34,359,602</u>	<u>\$52,229,219</u>	<u>\$56,255,803</u>

Line 36 - Other Administration

Accounting Services	\$68,652	\$170,441	68,928
Legal Services	\$0	\$213	510
Professional Services	1,620,906	5,971,449	5,284,609
Board of Directors' Meetings	22,774	73,058	77,019
Bank Charges	189	2,642	4,215
Administrative Expenses	223,152	2,296,551	1,736,181
Consumables	91,854	310,030	466,192
Travel & Entertainment	44,101	162,764	153,688
Other Unassigned	-	0	2,109,854
Miscellaneous Expense	\$0	\$0	-
Provision for Income Taxes	234,716	887,106	492,992
Provision for Income Taxes of Mgmt company	-	46,208	1,857,294
Total	<u>\$2,306,344</u>	<u>\$9,920,462</u>	<u>\$12,251,482</u>

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,425,356	1,545,287
2. Net premium income (including \$ 0 non-health premium income)	X X X		1,709
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X	360,956	2,612
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	360,956	4,321
Hospital and Medical:			
9. Hospital/medical benefits		(103,952)	(532,820)
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Lines 9 to 15)		(103,952)	(532,820)
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		(103,952)	(532,820)
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 0 cost containment expenses			5,235,022
21. General administrative expenses		(3,470,976)	(6,701,135)
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		(3,574,928)	(1,998,933)
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	3,935,884	2,003,254
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		638,027	172,925
26. Net realized capital gains (losses) less capital gains tax of \$ 0			
27. Net investment gains (losses) (Lines 25 plus 26)		638,027	172,925
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 0) (amount charged off \$ 0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	4,573,911	2,176,179
31. Federal and foreign income taxes incurred	X X X	369,275	492,992
32. Net income (loss) (Lines 30 minus 31)	X X X	4,204,636	1,683,187

DETAILS OF WRITE-INS			
0601. PHARMACY REBATE	X X X		2,612
0602. TENNCARE RISK TARGET REVENUE	X X X	360,956	
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	360,956	2,612
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	10,771,593	11,671,958
34. Net income or (loss) from Line 32	4,204,636	1,683,187
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	48,599	72,860
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(406,313)	(2,656,412)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in	(2,919,299)	
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	927,623	(900,365)
49. Capital and surplus end of reporting year (Line 33 plus 48)	11,699,216	10,771,593

DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance		157,033
2. Net investment income	336,036	277,979
3. Miscellaneous income	464,908	537,141
4. Total (Lines 1 through 3)	800,944	972,153
5. Benefit and loss related payments		
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(557,227)	(972,338)
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	369,275	492,992
10. Total (Lines 5 through 9)	(187,952)	(479,346)
11. Net cash from operations (Line 4 minus Line 10)	988,896	1,451,499
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	45,309	
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	45,309	
13. Cost of investments acquired (long-term only):		
13.1 Bonds	310,000	4,900,900
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	40,206	30,706
13.7 Total investments acquired (Lines 13.1 to 13.6)	350,206	4,931,606
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(304,897)	(4,931,606)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(243,103)	(291,278)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(243,103)	(291,278)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	440,896	(3,771,385)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,382,091	5,153,476
19.2 End of year (Line 18 plus Line 19.1)	1,822,987	1,382,091

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001.		
20.0002.		
20.0003.		

NONE	Underwriting and Investment Exhibit - Part 1
NONE	Underwriting and Investment Exhibit - Part 2
NONE	Underwriting and Investment Exhibit - Part 2A
NONE	Underwriting and Investment Exhibit - Part 2B

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Hospital & Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	19,196				
3. 2003	91,479	1,577			
4. 2004	XXX	XXX			
5. 2005	XXX	XXX	XXX		
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	200,940	18,077			
3. 2003	XXX	93,674			
4. 2004	XXX	XXX	1,077		
5. 2005	XXX	XXX	XXX		
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002	101,588	92,648	5,822		98,470	96,931	2,195		100,665	99.091
2. 2003	524		5,570	6.284	5,570	1,062,977	(1,076)		4,494	857.634
3. 2004	109									
4. 2005	2									
5. 2006										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
 (000 Omitted)
 Medicare Supplement
 Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002										
2. 2003										
3. 2004										
4. 2005										
5. 2006										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
 (000 Omitted)

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002										
2. 2003										
3. 2004										
4. 2005										
5. 2006										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002										
2. 2003										
3. 2004										
4. 2005										
5. 2006										

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS (000 Omitted)

Federal Employees Health Benefits Plan Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX				
4. 2004	XXX	XXX			
5. 2005	XXX	XXX	XXX		
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX				
4. 2004	XXX	XXX			
5. 2005	XXX	XXX	XXX		
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002										
2. 2003										
3. 2004										
4. 2005										
5. 2006										

UNDERWRITING AND INVESTMENT EXHIBIT PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments -	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002										
2. 2003										
3. 2004										
4. 2005										
5. 2006										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS
(000 Omitted)

Title XIX - Medicaid
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002	XXX				
3. 2003	XXX	XXX			
4. 2004	XXX	XXX	XXX		
5. 2005	XXX	XXX	XXX	XXX	
6. 2006	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2002	524	92,648	5,822	6.284	98,470	18,791,985	2,195		98,470	18,791,985
2. 2003			5,570		5,570		(1,076)		7,765	
3. 2004										
4. 2005										
5. 2006										